Redundancy in the Twenty-First Century: An Examination of and Argument Against APEC

By Erika Hage

Once poised to become a significant regional trade agreement (RTA), the Asia-Pacific Economic Cooperation's (APEC) strength has waned in the twenty-first century, leading many to question its viability and relevance as a cooperation. Taking into account several other RTAs that have arisen in Asia and the Pacific, the paper examines whether APEC still aligns with the interests of the Cooperation's nations and economies. A closer examination of how APEC is structured reveals several weaknesses inherent in the RTA. These, coupled with the vast geography APEC encompasses, calls into question whether APEC can continue to effectively function in its intended capacity.

Introduction

Founded in 1989, the Asia-Pacific Economic Cooperation (APEC) aimed to create a regional trade agreement (RTA) that focused on “open regionalism” (Ravenhill, *Global Political* 70) while still minding and balancing the provision of the General Agreement on Tariffs and Trade (GATT) (Ibid 70). APEC's membership is comprised of twenty-one nations spanning Asia, Oceania, and North America. Since its inception, it has been both praised for its attempts to attract investment and trade for its members and criticized for its lack of cohesion and inability to have made much impact in recent years. Through the course of this paper, I will examine these praises and criticisms and argue that APEC's role as a relevant RTA in the twenty first century is becoming redundant.

APEC as a Coalition

When considering RTAs and their inherent benefits and disadvantages, APEC serves as an intriguing case study. As economic exchange and cooperation increased in Asia, nations recognized the need for an agreement that would capitalize on these exchanges, but as C. Fred Bergen writes, “APEC would become neither a customs union like the European Union nor a free trade area like that covered by

the North American Free Trade Agreement” (20). The intent was that APEC would be an organization that would foster open regionalism, a type of trade agreement that would not exclude nor discriminate against non-members, while still recognizing “the need to manage and enhance [its own] maturing linkages” (McKay 43). While there is little debate that APEC has succeeded on these accounts, whether or not the Cooperation is still relevant close to thirty years later is debated. I will now turn to an examination of both its benefits and its disadvantages.

Benefits of APEC

Despite APEC’s diverse membership, both in terms of the geographic distribution of its members as well as their varying levels of economic development, the cooperation has a distinct advantage in global economics. In addition to boasting the world’s three largest economies, China, Japan, and the US, as members (Park and Lee 99), there are also a number of smaller and developing economies in APEC. Indonesia and Korea, for instance, have much weaker economies in comparison to some of their fellow members. On their own, these nations would stand very little chance of being heard on the world’s economic stage. Being associated with larger economies not only provides an opportunity for their own economies to develop, but also to ensure that their needs and concerns are included in the larger dialogue. Indeed, Bergsten believes that summits that were hosted by weaker nations would “likely place considerable emphasis on developmental issues of greatest concern to the group’s less industrialized members” (23).

Many agree with Bergsten, emphasizing that RTAs such as APEC can serve to more closely align developed economies with those that are developing or less-developed. McKay notes that one of the aims of a 1994 APEC meeting in Bogor, Indonesia was to “narrow the development gap in ways consistent with sustainable growth, equitable development, and stability” (46). Succeeding in this regard ensures that trade in the region is strengthened and that member nations become increasingly appealing for private investors, further strengthening the regional economies and the work of APEC. More importantly, a strong RTA ensures a more prominent role in the global economy, bolstering its credibility and enabling it to further advocate for its members. McKay optimistically described APEC as a “world-class forum,” which drew its strength from a wide array of people who exchanged and debated ideas (47).

Perhaps APEC’s most famous contribution to global economics, though, occurred in the early 1990s. As the Uruguay Round of talks under GATT showed little forward momentum, the APEC Leader’s Meeting provided an impetus to move forward. This in turn was also instrumental in the creation of the World Trade Organization. (Park and Lee, 101 & 99). For a fairly young agreement, these accomplishments marked APEC as a serious and legitimate RTA, able to hold its own among the world’s economic actors.

Critiques of APEC

Despite all the arguments in favour of APEC and the benefit it has had for lesser-developed nations, the organization also has some critical flaws. While many argue that the US’s membership with APEC is beneficial to the Cooperation, there is reason to exercise caution when considering this point.

Since the collapse of the Gold Standard in the 1930s, the US has been the world's dominant economic power, able to easily exert its policies and agendas. There is fear by some that the risk always remains that APEC will be subjected to US demands and that the US will always place its interests first. Berger validates this point and notes that "the USA remains the main regional power in Asia...it exercises a broad and diffuse political and cultural influence" (1025). One question, then, how equal APEC can truly be under these circumstances. More importantly, one is tempted to ask where the lesser-developed nations stand in relation to US hegemony. Not only is there a glaring disparity in the economic standing between the US and poorer nations, but there are also marked cultural differences. It is difficult to imagine such a powerful nation ceding to the demands of a nation so fundamentally different. Arguably, the US is "imposing a North American model on Asia" (Bergsten 25).

In addition to the US problem, there is concern that APEC is no longer the Cooperation it was when it was first formed. It lacks the cohesion and formal structure that is required of such a diverse group which in turn hampers its ability to continue to fulfill its original mandates of fostering trade and investment. Ravenhill criticizes APEC of being "all flexibility and no rigidity" (*APEC and the WTO* 229). This is evident in the fact that the group does not have a clear idea as to their obligations, that members are not required to reciprocate in interactions with other members, a commitment to mandates is voluntary by member nations, and the group hasn't maintained a firm policy on interactions with nations outside of the Cooperation (Ravenhill, *APEC* 229-230). Again, taking into consideration the number of members along with the geographic, economic, and cultural diversity of the member nations, this lack of structure is worrisome because it calls into question the authority of APEC and also its ability to continue as a relevant RTA. Collectively, it is to act as a representative for its members, however as Park and Lee point out, APEC rarely speaks up despite its large size because it lacks the structure and organization of other groups, such as the EU and NAFTA (102). Unfortunately, APEC's previous achievements in helping to bring about the WTO and aiding in the progression of the Uruguay Round pale in comparison to its current reputation and do little to help maintain its integrity.

Related to the argument that APEC lacks direction in terms of its objective is also the reality that several other agreements and organizations now operate in the Asian region specifically. These agreements encompass fewer members in a narrower region yet aim to fulfill the same obligations that APEC had originally set forward. Indeed, "APEC...is not but one of several transregional arrangements, some more formal than others, all aimed at trade liberalization and facilitation" (Ravenhill, *APEC* 133). The Cooperation stands to lose its relevance and footing in the Asian economic region should any one of these arrangements prove to be more structured and pointed in their mandate than APEC currently is. The increased presence of the International Monetary Fund (IMF), for instance, is becoming increasingly prominent in Asia, encouraging growth in trade and investment with the added benefit that the organization possesses a more structured agenda and set of rules than does APEC. Berger argues that the IMF's presence since the Asian Economic Crisis of the late 1990s has rendered APEC "irrelevant" (1026).

I would argue that the decreasing significance of APEC coupled with factors such as the economic and cultural disparity between Western and Eastern members could foreshadow a fragmenting of the arrangement. If there are other agreements operating in the Asia-Pacific region and, for that matter, agreements who operate more effectively, there is little incentive for the Western nations,

especially the US, to continue with a weakening RTA such as APEC. As Ravenhill points out in his article on APEC and the WTO, the US may indeed “find it easier to reach agreement with Western European economies with which it arguably has much more in common than its East Asian partners in APEC” (234).

This is not to say that Asia would be without strong economic allegiances should the US choose to remove itself from APEC. The Asia-Europe Meeting (ASEM) enabled East Asia to formally link itself with the EU (Ravenill, *APEC* 233). This arrangement diminishes Asia’s reliance on the US as an intermediary between it and European nations, proving that it is advancing sufficiently to foster its own economic allegiances. I believe that it is to Asia’s benefit to be free of the hegemonic constraints that the US imposes. The region would be able to articulate its own economic and cultural priorities without needing to accommodate those of the US.

Conclusion

Proponents of APEC have been quick to draw attention to its inclusion of weaker economies and its objectives of increasing trade and attracting investment to the region. However, critics of the Cooperation have countered that while APEC made a couple significant contributions to global political economy in its early years, it has suffered from a number of challenges, including a lack of cohesion and growing US hegemony. These developments, coupled with an increasing number of newer regional agreements in Asia, are diminishing APEC’s power as a leading RTA. When discussing APEC, Ravenhill makes note that the “case for strategic trade policies is far stronger in theory than in practice – especially for small and medium-sized and less developed economies” (*APEC* 223). After an examination of both the benefits and disadvantages of APEC, I am inclined to agree with his statement. Should APEC wish to remain a relevant RTA in Asia, it will need to re-examine its membership and strengthen its objectives, rules, and guidelines to regain its former legitimacy and act as an assertive voice for its member nations in the global economy.

Works Cited

- Berger, Mark T. “APEC and Its Enemies: The Failure of the New Regionalism in the Asia-Pacific.” *Third World Quarterly* 20.5 (1999): 1013-1030. *JSTOR*. Web. 28 October 2016.
- Bergsten, C. Fred. “APEC and World Trade: A Force for Worldwide Liberalization.” *Foreign Affairs* 73.3 (1994): 20-26. *JSTOR*. Web. 28 October 2016.
- McKay, John. “APEC: Successes, Weaknesses, and Future Prospects.” *Southeast Asian Affairs* (2002): 42-53. *JSTOR*. Web. 28 October 2016.
- Park, Sung-Hoon and Jeong Yeon Lee. “APEC at a Crossroads: Challenges and Opportunities.” *Asian Perspectives* 33.2 (2009): 97-124. *JSTOR*. Web. 28 October 2016.
- Ravenhill, John. “APEC and the WTO: Which Way Forward for Trade Liberalization?” *Contemporary Southeast Asia* 21.2 (1999): 220-237. *JSTOR*. Web. 28 October 2016.
- . *Global Political Economy*. 4th ed. Oxford: Oxford University Press, 2014. Print.